



Westlands Water District

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January 2, 2004

Mr. Tom Carter
Power Operations Manager, Sierra Nevada Region
Western Area Power Administration
114 Parkshore Drive
Folsom, CA 95630-4710



SUBJECT: Federal Register Notice on Proposed Operational Alternatives for Post 2004

Dear Mr. Carter:

Westlands Water District (Westlands) has reviewed and herein provides comments on the subject Federal Register Notice (FRN) and the decision by Western Area Power Administration (Western) to pursue a contract based sub-control area within either the Independent System Operator (ISO) control area or the Sacramento Municipal Utility District (SMUD) control area.

Westlands is a Central Valley Project (CVP) water contractor and beneficiary of Project Use Power, and a contracting customer of Western for Preference Power. Additionally, Westlands has executed contracts with Western to receive its share of the Post 2004 Base Resource and to receive service as a Full Load Service customer. None of Westlands' facilities, or any of the federally owned facilities within Westlands used to deliver CVP water, is directly connected to Western's transmission system.

Please consider the following:

1. The FRN states that, under any of the alternatives considered, non-direct connected water service contractors that utilize Project Power for delivery will be subject to ISO charges. The ISO charges are subject to regular review and rate changes, therefore, creating a considerable amount of uncertainty. Furthermore, the ISO proposed MD02 initiative to address transmission congestion may result in a cost shift associated with re-dispatching generation based upon economic factors. Western recognizes this could violate Reclamation Law but provides no other alternatives. Preference Power customers face the same cost uncertainty related to ISO charges, but those customers outside the Federal control area will also have the burden of paying PG&E retail rates for transmission and distribution.

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2. While Westlands supports the formation a Federal Control Area, either by contract with the ISO or SMUD, Western has done little to accommodate customers who are not directly connected to Western-owned transmission. In the FRN, Western indicates that PG&E is responsible for providing service at the embedded cost of service rate because of prior actions by PG&E that precluded the construction of a separate transmission system. Furthermore, Western states that PG&E should continue to provide a cost of service rate, but Western has not pressed this issue on behalf of its customers.

3. Western states that it will seek to dynamically schedule off-system customers once sufficient experience is gained and it is deemed feasible to avoid charges related to ancillary services and energy imbalances. While this may benefit Project Use, it is unclear what benefit this will serve Preference Power customers that will be forced to take delivery under a PG&E retail rate schedule.

4. While Westlands supports the proposed sub-control area, Westlands requests Western take the following additional actions:

- a. Seek an amended agreement to 2948A with PG&E to maintain transmission service and pricing.
- b. Absent an amended agreement, pursue with FERC and CPUC a requirement that PG&E maintain current transmission service and pricing.

If you have any questions concerning these comments, please contact Russ Freeman, Supervisor of Resources, at (559) 241-6241.

Sincerely,



Dave Ciapponi
Assistant General Manager